

Message Text

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TAGS: ETRD, EEC

SUBJECT: CHEESE AND COUNTERVAILING

REF: STATE 25576

1. SUMMARY: HIJZEN HAS AGREED TO GIVE US SOME INDICATIVE PRICE GAPS ALONG WITH THE NEW RESTITUTIONS ON EC CHEESE EXPORTS TO US. THIS INFORMATION WILL BE FORTHCOMING PROMPTLY, IF THE MILK MANAGEMENT COMMITTEE GOES ALONG WITH THE COMMISSION'S PROPOSALS. THE MILK MANAGEMENT COMMITTEE WILL HAVE TO REVIEW ANY ADJUSTMENTS IN THE RESTITUTIONS. STOCKPILING IS POSSIBLE IF DOMESTIC CONDITIONS WARRANT IT. HIJZEN CLAIMS THAT SHORT-TERM TRADE DATA ARE NOT GOOD INDICATORS OF "AGGRESSIVE MARKETING". END SUMMARY.

2. MISSION OFFICERS MET WITH HIJZEN EARLY IN THE MORNING OF FEBRUARY 5 AND, AFTER EXPRESSING APPRECIATION FOR HIS EFFORTS, CONVEYED THE FOUR POINTS IN PARA 3 OF REFTEL.

3. HIJZEN RESPONDED AS FOLLOWS TO THESE POINTS:

A) HIJZEN SAID THAT HE HAD CHECKED WITH HIS PEOPLE AND FOUND THEY COULD GIVE US APPROXIMATE INDICATIONS OF SOME OF THE PRICE GAPS. HE DEFINED THE GAPS AS THE PRICE RESULTS WHICH THE COMMISSION EXPECTED TO FLOW FROM THE NEW RESTITUTIONS.

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THESE INDICATIVE PRICE GAPS WOULD BE STATED IN TERMS OF RANGES

LIKE THE ONE ALREADY REVEALED FOR BLUE MOLD CHEESE, HIJZEN NOTED THAT DUE TO PROBLEMS OF QUALITY AND DEFINITION, AND GIVEN THE FREEDOM OF EUROPEAN TRADERS TO SET THEIR PRICES AT WILL, NO COMMITMENT COULD BE GIVEN REGARDING THESE PRICE GAPS, AND VARIATIONS AROUND AN AVERAGE GAP SHOULD BE REGARDED AS NORMAL.

B) THE COMMISSION RECOGNIZES THE NEED TO REACT VERY QUICKLY TO CHANGES IN THE PRICE GAPS, SUCH AS MIGHT BE CAUSED BY FLUCTUATIONS OF THE DOLLAR. (HE DID NOT FORSEE AN IMMEDIATE REPEAT IMMEDIATE NEED TO ADJUST FOR OTHER FACTORS, SUCH AS US MARKET CONDITIONS, UNTIL THERE HAD BEEN SOME CHANCE FOR THE US MARKET TO GIVE SOME INDICATIONS--SUCH AS PRICE CHANGES--OF THE RESULTS OF THE RESTITUTIONS.) THE END OF PREFIXATION WOULD MEAN THAT ANY COMMISSION DECISION WOULD HAVE AN IMMEDIATE EFFECT ON RESTITUTIONS. HOWEVER, HIJZEN NOTED, IT WOULD BE NECESSARY TO PRESENT EACH PROPOSAL FOR CHANGE IN RESTITUTIONS TO THE MILK MANAGEMENT COMMITTEE. HE ASSURED US THAT THE COMMITTEE COULD BE CONVOKED ON SHORT NOTICE.

C) HIJZEN DISCUSSED THIS POINT ON THE TELEPHONE WITH RABOT DURING OUR CALL. HE EMPHASIZED THAT SUCH STOCKPILING OF CHEESE AS HAD BEEN GOING ON, WAS IN RESPONSE TO A FALL IN THE INTRA-EC PRICE--THOUGH THIS FALL WAS ADMITTEDLY THE RESULT OF ELIMINATION OF RESTITUTIONS. HE ALSO NOTED THAT THE EC IS CURRENTLY INVOLVED IN INTERVENTION ON ONLY A FEW CHEESES. FINALLY, HE REITERATED THAT NO PRIOR COMMITMENT TO USE STORAGE COULD BE MADE. BUT HE DID ACKNOWLEDGE THAT IT WAS POSSIBLE TO ENGAGE IN STOCKPILING. IT WAS NOT POSSIBLE TO USE STOCKPILING AS A DEVICE AIMED MAINLY AT CONTROLLING EFFECTS IN FOREIGN MARKETS. IT HAD TO BE RELATED TO CONDITIONS IN THE EC MARKET. THE EC COUNCIL DOES HAVE THE POWER TO DEFINE THESE CONDITIONS. HE NOTED THAT THERE WAS A LINK LIMITED OFFICIAL USE

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BETWEEN THE RESTITUTION MECHANISM AND THE POSSIBILITY OF STOCKPILING, IN THAT LOWERED RESTITUTIONS COULD LEAD TO DOMESTIC EC PRICES BELOW THE TARGET LEVEL, THUS JUSTIFYING STORAGE.

D) HIJZEN ARGUED THAT TRADE DATA WERE NOT, TAKEN BY THEMSELVES AND IN THE SHORT TERM, GOOD INDICATORS OF "AGGRESSIVE MARKETING". INDEED, HE BELIEVED

AN INCREASE IN EC CHEESE EXPORTS MIGHT OCCUR IMMEDIATELY AFTER REINSTITUTION OR RESTITUTIONS, AS IMPORTERS RESTORED DEPLETED STOCKS. PRICES, HE FELT, WOULD BE THE BEST INDICATOR TO FOLLOW. SHOULD LARGE QUANTITIES OF EC CHEESES BE OFFERED AT LOW PRICES ON THE US MARKET, THIS WOULD INDICATE AGGRESSIVE MARKETING, AND THE COMMISSION COULD ACT QUICKLY TO HANDLE THE SITUATION, BY WARNING EC EXPORTERS THAT CONTINUANCE OF SUCH PRICING WOULD LEAD TO A REDUCTION IN RESTITUTIONS. HIJZEN DID ACKNOWLEDGE THAT AFTER A LONGER PERIOD, E.G. TWO MONTHS, IT MIGHT BE USEFUL TO COMPARE SHIPMENT DATA WITH HISTORIC LEVELS OF TRADE, AND SAID HE WOULD HAVE NO PROBLEM IN COOPERATING IN SUCH AN EXAMINATION. THE COMMISSION WOULD RECOGNIZE THAT THIS WOULD BE A GOOD US ARGUMENT IN ANY CONSULTATION ON THIS POINT.

4. THE MILK MANAGEMENT COMMITTEE WILL BE MEETING MOST OF THE MORNING OF FEBRUARY 5. UNLESS THE COMMITTEE IN SOME WAY BLOCKS THE COMMISSION, HIJZEN WILL GIVE THE MISSION THIS AFTERNOON THE NEW RESTITUTION LEVELS PLUS INDICATIVE PRICE GAPS FOR SOME OF THE CHEESES. GREENWALD

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